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TO RUEHC/SECSTATE WASHDC 3456
INFO RUCPDOG/USDOC WASHDC
RUEHNE/AMEMBASSY NEW DELHI 2324
RUEHBUL/AMEMBASSY KABUL 7830
RUEHDO/AMEMBASSY DOHA 1463
RUEHBI/AMCONSUL MUMBAI 3729
RUEHLH/AMCONSUL LAHORE 4167
RUEHKP/AMCONSUL KARACHI 8180
RUEHPW/AMCONSUL PESHAWAR 2729

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SIPDIS

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SUBJECT: AMERICAN BUSINESSES EXPRESS VIEWS ON STATE OF EMERGENCY

¶1. (SBU) SUMMARY: The Ambassador spoke November 20 at the Islamabad monthly American business breakfast meeting to share U.S. views the political and economic situation and to gauge business reaction to the state of emergency. Opinions diverged among the executives on the current state of affairs and the future of investment activity. Some U.S. companies are proceeding with expansion plans. Most expressed a desire for communication and support from the Embassy, particularly regarding the travel advisory. END SUMMARY.

¶2. (SBU) The Ambassador spoke for the first time November 20 at the Embassy-organized breakfast for the American companies located in Islamabad. Eighteen companies attended. The Ambassador shared the U.S. perspective on the current situation in Pakistan and solicited attendees' views. Considerable debate erupted among the audience, which one attendee stated reflects the divided views throughout Pakistani society.

¶3. (SBU) Several executives worried that Pakistan is headed down the wrong path. Farrukh Aslam, CEO Touchstone (a founder and American citizen who currently resides in Ft. Worth, Texas) said most Pakistani-Americans believe that Musharraf has the blessing of the U.S. government to impose the state of emergency because the U.S. has supported him for the last eight years. (Note: Aslam has spent 24 years living in the U.S. and visits Pakistan several times a year. End Note) Musharraf's administration, he said, has "failed to deliver" in the crackdown on terrorism, demonstrated by recent events such as the Red Mosque and Swat. Articles like the recent Newsweek edition titled "Iraq is Not the Most Dangerous Country in the World, It's Pakistan" seriously harmed public opinion, which, as Zahid Mirza of Netsol Technologies commented, has caused alarm among its global customer base.

¶4. (SBU) Irfan Qureshi, Country Manager of Chevron (CalTex) expressed concern over the U.S. support for Benazir Bhutto given her corrupt past. He described threats of arrest against him by Bhutto's husband and worries that her return will bring back the large scale corruption that harmed many companies' growth and Pakistan's international reputation.

¶5. (SBU) On the other hand, several executives said the international media has blown the current situation out of proportion. Khurram Rahat, Managing Director of Teredata, said Pakistan is still a top 20 revenue generating country for his American company. There is a misperception, he said, that what is happening in Swat also occurs in Islamabad, and he has worked internally at Teredata to correct this view. Malik Imran, Government Account Manager of Microsoft, said the company is looking to expand its workforce by 40% over the next year. He personally visited areas of the NWFP regularly over the last year and did not see widespread chaos. In discussions with his Seattle headquarters,

Imran tells senior executives that the situation in Pakistan is not as problematic as it appears in the media. Rahat and several members asked the Ambassador to look at developing an Embassy message that the companies can send back to their American headquarters saying the situation is not as dire as the media portrays. The Ambassador offered companies with concerns to contact the Embassy individually for reassurance.

16. (SBU) Despite the current situation, a number of companies are proceeding with investment activities and hosting U.S. visitors. Aslam plans to go ahead with a \$1 billion power plant project in connection with ALCOA and currently employs 1,100 people in his three existing businesses in Pakistan, including Touchstone. Visiting Uch U.S. executive Mark Molacek was not overly concerned about his trip to Pakistan. He is working with Uch Power in Baluchistan to double the capacity of their existing power plant, worth an estimated \$500 million. Teradata plans to have three executives from the U.S. visit in the next month, including two Vice Presidents and the Chief Technology Officer.

17. (SBU) COMMENT: There are many diverse opinions about the current and future situation in Pakistan. One common thread is that it would be better to end the state of emergency as soon as possible, hold elections, and then move on. All American company executives would like to overcome the negative public opinion from their headquarters and customers. The potential growth, through investment, employment, and expansion plans, is enormous given the momentum of the past five years of seven percent growth and record levels of portfolio and direct investment. However, the potential to for continued expansion of the U.S. business community and Pakistan's economic growth will be greater if the state of emergency is not prolonged and January elections are credible. END COMMENT.

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